

Message Text

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12
ACTION EUR-12

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SUBJECT: EXTRAORDINARY PARLIAMENTARY SESSION ADVANCED TO AUGUST 17

REF: A) COPENHAGEN 2682; B) COPENHAGEN 2392

SUMMARY: AN EXTRAORDINARY SESSION OF THE DANISH PARLIAMENT
WILL BE CONVENED AUGUST 17 TO DEAL WITH A GOVERNMENT PACKAGE
PROPOSAL TO ALLEVIATE THE COUNTRY'S ECONOMIC ILLS. THE RULING
SOCIAL DEMOCRATS HAVE PUT TOGETHER A "MINI-COMPROMISE" WITHOUT
THE LEADING OPPOSITION PARTY, THE LIBERALS, AND MIGHT SUCCESS-
FULLY PUSH THROUGH THE PACKAGE IF THE PARTIES OF THE FAR LEFT
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ABSTAIN. ALTHOUGH EXACTLY WHAT THE GOVERNMENT WILL TABLE REMAINS

SPECULATIVE, A SUMMARY OF THE PROBABILITIES IS REPORTED.
EARLY ELECTIONS REMAIN A REAL POSSIBILITY. END SUMMARY.

1. ANKER JORGENSEN'S SOCIAL DEMOCRATIC GOVERNMENT HAS
SUCCEEDED IN PUTTING TOGETHER A MINI-COMPROMISE" AND
HAS CALLED PARLIAMENT INTO SESSION TOMORROW, AUGUST 17,
TO CONSIDER THE PASSAGE OF WHAT AMOUNTS TO A NEW INCOMES
POLICY PROGRAM. THIS IS A WEEK EARLIER THAN THE
ALREADY ADVANCED DATE OF AUGUST 23 (REFTEL A).

2. WHILE THE SPECIFICS OF THE PROGRAM ARE STILL SPECU-
LATIVE, ITS MAIN OUTLINES ARE AS FOLLOWS:

- INCREASED EXCISE TAXES ON AUTOMOBILES,
LIQUOR, TOBACCO, AND THE LIKE;

- NEW TAXES ON "RAW ENERGY" (TAXES WOULD THUS
NOT FALL ON ELECTRICITY ALONE);

- INCOME TAX RELIEF BENEFITTING MAINLY LOW-
INCOME GROUPS.

3. ACCORDING TO PRESS REPORTS, IN TOTAL THE
NEW INCREASES, DESIGNED TO CURB
CONSUMER SPENDING, SHOULD YIELD SOME DKR 5 BILLION
(ABOUT \$830 MILLION) ANNUALLY. AN ADDITIONAL PROPOSAL
FOR AN INCREASE BY VAT BY 2-1/2 PERCENT SEEMS TO HAVE
BEEN ABANDONED.

4. HOWEVER, THE GOVERNMENT'S PROGRAM ALSO REPORTEDLY
INCLUDES A
DKR ONE BILLION BUDGET SAVINGS PROPOSAL OVER THE NEXT
TWO YEARS IN ADDITION TO THE DKR 4 BILLION ALREADY
ACCEPTED BY THE SEPTEMBER (1975) COMPROMISE PARTIES.
MOST IMPORTANTLY, THE GOVERNMENT WANTS A CEILING OVER
WAGE INCREASES FOR THE NEXT TWO YEARS. THIS CEILING
WOULD MEAN A MAXIMUM WAGE INCREASE OF ONLY 6 PERCENT
PER YEAR, INCLUDING POSSIBLE COST-OF-LIVING INCREMENTS.
AND ONLY TWO OF THE LATTER WOULD BE PERMISSIBLE PER YEAR.
SHOULD AN INDEX INCREASE CALL FOR MORE, PAYMENTS WILL BE
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MADE BY THE STATE INTO THE WAGER-EARNERS PENSION FUND (ATP)
AND WOULD CONSEQUENTLY BE OF STERILE INFLATIONARY EFFECT.

5. ALTHOUGH THE DANISH LABOR UNIONS OBVIOUSLY ARE NOT
HAPPY WITH THE PROPOSED WAGE RESTRAINT, THEY HAVE
MODULATED CRITICISM OF IT SO FAR.

6. THE MINI-COMPROMISE MENTIONED IN PARA 1, ABOVE,

INCLUDES THE SOCIAL DEMOCRATS, THE RADICALS, THE CHRISTIAN PEOPLES PARTY, AND THE CENTER DEMOCRATS, BUT NOT THE MAJOR SEPTEMBER-COMPROMISE PARTNER, THE LIBERALS. WHILE THE NEW COMPROMISE PARTNERS COMMAND ONLY 80 VOTES IN FOLKETING OF 179 (TEN SHORT OF SIMPLE MAJORITY), IT IS AT LEAST DOUBTFUL WHETHER A QUALIFIED MAJORITY AGAINST THE GOVERNMENT CAN BE OBTAINED. THE GOVERNMENT APPEARS TO BELIEVE THAT THE FAR-LEFT PARTIES - THE SOCIALIST PEOPLES PARTY, THE COMMUNISTS, AND THE LEFT SOCIALISTS - WILL ABSTAIN AT THE VOTE. THIS WOULD LEAVE THE LIBERALS, THE CONSERVATIVES AND THE PROGRESSIVE PARTY WITH ONLY 74 VOTES IN OPPOSITION. IN THE EVENT, THE LIBERALS THEMSELVES MAY ABSTAIN AND LEGISLATION PASSED WITH A COMFORTABLE MAJORITY.

7. THERE CAN BE NO DOUBT THAT THE SOCIAL DEMOCRATS WOULD PREFER LIBERAL ENDORSEMENT OF THE PROGRAM. NOT JUST FOR DOMESTIC POLITICAL REASONS, BUT ALSO AS A DEMONSTRATION TO THE OUTSIDE WORLD OF A UNIFIED DANISH PARLIAMENTARY WILL TO COPE WITH THE COUNTRY'S ECONOMIC ILLS.

8. THE DANISH VOTER DOES NOT WANT ELECTIONS NOW OR IN THEE NEAR FUTURE. MOST OBSERVERS AGREE THAT ANY SUCH ELECTIONS WILL CAUSE FEW CHANGES IN THE COMPOSITION OF PARLIAMENT. BUT THEY MAY STILL BE CALLED IF ALL THE PARTY LEADERS STICK TO THEIR PRINCIPLES AND IF THE NECESSARY ABSTENTIONS ARE NOT ACHIEVED OR WANTED BY THE SOCIAL DEMOCRATS.
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